

**STANNARD TOWNSHIP – BRUCE CROSSING, MI
ONTONAGON COUNTY
FINANCIAL REPORT
With Supplemental Information**

March 31, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Stannard Township	County Ontonagon
Audit Date 3/31/2005	Opinion Date 8/24/2005	Date Accountant Report Submitted to State: 9/20/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting System for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>		
Reports on individual federal financial assistance programs (program audits).			<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).			<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name)

Roger J. Kolehmainen PC

Street Address

1445 East US 2

City

Ironwood

State

MI

ZIP

49938

Accountant Signature



Date

9/20/05

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Roger J. Kolehmainen CPA PC
1445 East Cloverland Drive
Ironwood, MI 49938
(906) 932-3600

INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board
Stannard Township
Bruce Crossing, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Stannard Township as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit provides a reasonable basis in our opinion.


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Stannard Township as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note A to the basic financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – For State and Local Governments* of April 1, 2004.

The management's discussion and analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting and Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements of the Stannard Township, Bruce Crossing, Michigan, taken as a whole. The combining and individual fund financial statements listed in the table of contents under supplemental information are presented for the purpose of additional analysis and are not a required part of the financial statements of the Stannard Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated August 24, 2005, on our consideration of Stannard Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.


Roger J. Kolehmainen PC
Certified Public Accountant

Ironwood, Michigan
August 24, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS STANNARD TOWNSHIP

Year ended March 31, 2005

Management's Discussion and Analysis

This section of the Stannard's annual financial report presents our discussion and analysis of the Township's financial performance during the year ended March 31, 2005. It is to be read in conjunction with the Township's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Government* and is intended to provide the financial results for the fiscal year ending March 31, 2005. This is the first year of GASB 34 implementation. As a result the financial report is presented very differently than previous years. Because this is the first year of implementation of GASB Statement No. 34, prior-year data is not available.

Government-wide Financial Statements

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Township as a whole. The statements are prepared using the accrual basis of accounting which is the accounting used by most private sector businesses. The statement of net assets includes all of the Township's assets and liabilities. All current year revenues and expenses are reported in the statement of activities. These are new statements that have not been required or provided in past years but are now required based on government auditing and accounting standards. The two statements report the governmental activities of the Township that include all services performed by the Township. These activities are funded mostly by State revenue sharing, property taxes and charges for services.

The statement of net assets, as stated previously, shows the Township's assets and liabilities. The corresponding balance between the amounts calculates the net assets or deficit of the Township. This statement measures the financial strength of the Township; the greater the net asset figure, the healthier the Township generally is. This shows if the Township will be able to fund their current obligations and shows what they have available for future use.

The statement of activities shows the current year change in net assets on revenue less expenditure basis. It generally shows the operating results for a given year of the Township. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Township. Any deficiency of revenues over expenditures results in a deficit for the year that in turn reduces the net assets (or increases a deficit) of the Township.

MANAGEMENT'S DISCUSSION AND ANALYSIS STANNARD TOWNSHIP

Fund Financial Statements

The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Township maintains two governmental funds. Information is presented separately in the government fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund (considered a major fund) and the Township's Special Revenue Funds (considered a nonmajor fund).

Individual fund data for each fund is presented separately in the "Other Supplemental Information" section of this report.

The Township adopts an annual budget for its general fund. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general fund and is included in the "Required Supplemental Information" section of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS
STANNARD TOWNSHIP

Proprietary Fund

Proprietary Fund provides services for which the Township charges customers a fee. The enterprise funds of the Township are used to report the same functions as the business-type activities in the government-wide financial statements. The Sewer Fund is presented in both the government-wide financial statements and the fund financial statements and is considered a major fund. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefits of parties outside the government. The fiduciary funds for the Township are the Tax Collection and Pension Fund. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. This fund is presented separately in the fund financial statements section of the basic financial statements.

Notes to Financial Statements

Notes to the financial statements are included in the financial statements, and provide additional information that is essential for a full understanding of the data provide in the government-wide and the fund financial statements.

Government-wide Financial Statements-Condensed Financial Information

Statement of Net Assets

The following table shows the March 31, 2005, condensed statement of net assets with a detailed analysis of the statement below.

	Governmental	Primary Government Business-Type	
ASSETS	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Current Assets:			
Cash and other assets	\$179,155	\$39,082	\$218,237
Other assets	22,046	19,633	41,679
Non-current Assets			
Restricted cash		20,000	20,000
Capital Assets, net		102,539	102,539
TOTAL ASSETS	\$201,201	\$181,254	\$382,455

MANAGEMENT'S DISCUSSION AND ANALYSIS
STANNARD TOWNSHIP

	Governmental	Primary Government Business-Type	
LIABILITIES	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Current Liabilities	\$10,191	\$9,237	\$19,428
Non-current Liabilities		16,000	16,000
TOTAL LIABILITIES	\$10,191	\$25,237	\$35,428
NET ASSETS			
Investment in capital assets net of related debt		\$78,539	\$78,539
Restricted	26,498		26,498
Unrestricted	164,512	77,478	241,990
TOTAL NET ASSETS	\$191,010	\$156,017	\$347,027
TOTAL LIABILITIES AND NET ASSETS	\$201,201	\$181,254	\$382,455

For governmental activities, net assets increased by \$25,526 during the fiscal year. For business-type activities, net assets increased by \$16,607 during the year.

Results of Operations

The following represents the changes in net assets for both governmental and business-type activities for the year ended March 31, 2005.

	Governmental	Primary Government Business-Type	
REVENUES	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Program Revenue:			
Charges for services	\$26,330	\$40,297	\$66,627
General Revenue:			
Property taxes	31,179		31,179
Other income	2,477	1,269	3,746
Unrestricted grants	75,672		75,672
Transfers from other funds	648		648
Total Revenue	\$136,306	\$41,566	\$177,872

MANAGEMENT'S DISCUSSION AND ANALYSIS
STANNARD TOWNSHIP

	Governmental	Primary Government Business-Type	
EXPENSES:	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
General Government	\$66,799		\$66,799
Public Safety	22,195		22,195
Public Works	9,530		9,530
Recreation and Culture	6,634		6,634
Other Expenses	5,622		5,622
Total Expenses	\$110,780		\$110,780
Business-Type Activities:			
Water & Sewer Expenses		\$24,959	\$24,959
Increase (Decrease) in Net Assets	\$25,526	\$16,607	\$42,133
Assets, Beginning of Year	164,484	139,410	304,894
Net Assets, End of Year	\$191,010	\$156,017	\$347,027

Governmental Activities

Property taxes and other tax revenues comprise \$35,412 or approximately 26 percent of total governmental revenues. The Township also collected \$16,455 for services provided. And, at year end the Township reported \$67,081 in grants not restricted for specific purposes. This amount was due to revenue sharing from the State of Michigan and comprises 49 percent of total governmental revenues.

The Township expended \$110,780 on governmental programs and services. Some of the largest expense categories were for general government and public safety where \$47,515 (43%) and \$22,195 (20%), respectively, were reported.

Business-Type Activities

Business-type activities increased the Township's net assets by \$16,607. Charges for sewer services for the year were \$40,297 and expenditures amounted to \$24,959.

Financial Analysis of Governmental Funds

As previously noted, the Township uses fund accounting to ensure and demonstrate compliance with finance-related requirement.

MANAGEMENT'S DISCUSSION AND ANALYSIS
STANNARD TOWNSHIP

Governmental Funds

The focus of the Township's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year. The Township's governmental funds reported combined ending fund balances of \$191,010 of which \$26,498 is reserved and the remaining \$164,512 is available for spending at the government's discretion.

On the budgetary basis of accounting, the Township ended the year with less than 1% than was budget and expenditures 24% less than the budgeted amount. Significant negative expenditure variances occurred in other expense category.

Proprietary Fund

The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer Fund as of March 31, 2005 were \$77,478.

Capital Assets and Debt Administration

The Township's investment in capital assets, net of accumulated depreciation for its business-type activities as of March 31, 2005 was \$102,539.

Other Economic Factors and Next Years Budget

Economic Factors

Currently, the State of Michigan is experiencing a severe budgetary crisis. As such, it is anticipated that future state cuts will likely translate into strategic reductions of Township expenses to maintain a sound budget. Despite the poor outlook of the state's budget, the Township will continue to strive to provide good social and cultural conditions that support healthy families and maintain a safe and clean community in which to live.

Request for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Stannard Township Supervisor
PO Box 216
Bruce Crossing, MI 49912

STANNARD TOWNSHIP
STATEMENT OF NET ASSETS
March 31, 2005

	<u>Government Activities</u>	<u>Business – type Activities</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$179,155	\$39,082	\$218,237
Accounts receivable-net	8,126	19,445	27,571
Delinquent taxes receivable	4,865		4,865
Due from other funds	964		964
Accrued interest income	185	65	250
Deferred charges	7,906	123	8,029
TOTAL CURRENT ASSETS	\$201,201	\$58,715	\$259,916
NON-CURRENT ASSETS			
Restricted cash		20,000	20,000
Capital assets		442,846	442,846
Accumulated depreciation		(340,307)	(340,307)
TOTAL NON-CURRENT ASSETS		122,539	122,539
TOTAL ASSETS	\$201,201	\$181,254	\$382,455
LIABILITIES			
Current Liabilities:			
Accounts payable	\$6,846	\$238	\$7,084
Accrued wages/taxes	3,345	450	3,795
Accrued interest payable		300	300
Due to other funds		249	249
Current maturity on long-term debt		8,000	8,000
TOTAL CURRENT LIABILITIES	\$10,191	\$9,237	\$19,428
NON-CURRENT LIABILITIES			
Bonds payable		24,000	24,000
Current maturity on long-term debt		(8,000)	(8,000)
TOTAL NON-CURRENT LIABILITIES		16,000	16,000
TOTAL LIABILITIES	\$10,191	\$25,237	\$35,428
NET ASSETS			
Investment in capital assets, net of related debt		\$78,539	\$78,539
Reserve for road repairs	\$26,498		26,498
Unreserved	164,512	77,478	241,990
TOTAL NET ASSETS	\$191,010	\$156,017	\$347,027
TOTAL LIABILITIES AND NET ASSETS	\$201,201	\$181,254	\$382,455

The accompanying notes are an integral part of the financial statements

STANNARD TOWNSHIP
STATEMENT OF ACTIVITIES
Year Ended MARCH 31, 2005

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>	Net (Expense) Revenue
Governmental Activities			
General government	\$66,799	\$4,233	(\$62,566)
Public safety	22,195	15,695	(6,500)
Public works	9,530	6,402	(3,128)
Recreation and culture	6,634		(6,634)
Other	5,622		(5,622)
Total Governmental Activities	\$110,780	\$26,330	(\$84,450)
Business-type Activities			
Sewer	\$24,959	40,297	15,338
Total Business – type Activities	\$24,959	40,297	15,338
Total	\$135,739	\$66,627	(\$69,112)
Changes in Net Assets			
	<u>Governmental Activities</u>	<u>Business – type Activities</u>	<u>Total</u>
Net (Expense) Revenue	(\$84,450)	\$15,338	(\$69,112)
General Revenues:			
Property taxes	31,179		31,179
State-Shared revenues	75,672		75,672
Investment income	2,477	1,269	3,746
Transfers	648		648
Total General Revenues and Transfers	\$109,976	1,269	\$111,245
Changes in Net Assets	\$25,526	\$16,607	\$42,133
Net Assets at Beginning of Year	165,484	139,410	304,894
Net Assets at End of Year	\$191,010	\$156,017	\$347,027

The accompanying notes are an integral part of the financial statements.

STANNARD TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
March 31, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$145,020	\$34,135	\$179,155
Accounts receivable-net	8,126		8,126
Delinquent taxes receivable	3,436	1,429	4,865
Due from other funds	6	958	964
Accrued interest income	185		185
Deferred charges	7,906		7,906
TOTAL CURRENT ASSETS	\$164,679	\$36,522	\$201,201
NON-CURRENT ASSETS			
Restricted cash			
TOTAL NON-CURRENT ASSETS			
TOTAL ASSETS	\$164,679	\$36,522	\$201,201
LIABILITIES			
Current Liabilities			
Accounts payable	\$6,846	\$	\$6,846
Accrued wages/taxes	3,345		3,345
TOTAL CURRENT LIABILITIES	\$10,191	\$	\$10,191
TOTAL LIABILITIES	\$10,191	\$	\$10,191
FUND BALANCES			
Reserve for road repairs	26,498		26,498
Unreserved	127,990	36,522	164,512
TOTAL FUND BALANCES	\$154,488	\$36,522	\$191,010
TOTAL LIABILITIES AND FUND BALANCES	\$164,679	\$36,522	\$201,201

Amounts reported for governmental activities in the Statement of Net Assets and Balance Sheet are in agreement.

The accompanying notes are an integral part of the financial statements.

STANNARD TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes	\$18,180	\$12,732	\$30,912
Other taxes	267		267
Tax administrative fees	4,233		4,233
Licenses and permits		4,542	4,542
Rentals	7,263		7,263
Federal shared revenues	10,454		10,454
State shared revenues	65,218	1,863	67,081
Charges for services	4,650		4,650
Interest	2,182	295	2,477
Sales of assets	1,056		1,056
Other revenue	3,371		3,371
	<hr/> \$116,874	<hr/> \$19,432	<hr/> \$136,306
EXPENDITURES			
Legislative	\$19,284	\$	\$19,284
General government	47,515		47,515
Public safety	16,438	5,757	22,195
Public works	9,530		9,530
Recreation and culture	6,634		6,634
Other	5,622		5,622
	<hr/> \$105,023	<hr/> \$5,757	<hr/> \$110,780
EXCESS OF REVENUES (EXPENDITURES)	11,851	13,675	25,526
OTHER FINANCING SOURCES (USES)			
Transfers to/from other funds	648	(648)	
EXCESS OF REVENUES EXPENDITURES) AND OTHER FINANCING USES	\$12,499	\$13,027	\$25,526
Fund Balance at 3/31/2004	141,989	23,495	165,484
FUND BALANCE MARCH 31, 2005	<hr/> \$154,488	<hr/> \$36,522	<hr/> \$191,010

The accompanying notes are an integral part of the financial statements

STANNARD TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year ended March 31, 2005

Continued

Reconciliation of the change in fund balances – Total Governmental Funds to the changes in
net assets of governmental activities:

Net change in fund balances – Total Governmental Funds	\$25,526
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There are no amounts reported for governmental activities in the statement of activities are
different.

Change in Net Assets of Governmental Activities	<u>\$25,256</u>
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The accompanying notes are an integral part of the financial statements

STANNARD TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE- BUDGET TO ACTUAL
GENERAL FUND
Year ended March 31, 2005

	Budgeted Amounts			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Favorable (Unfavorable)</u>
REVENUES				
Taxes	\$15,000	\$15,000	\$18,180	\$3,180
Other taxes	4,320	4,320	267	(4,053)
Tax administrative fees	2,800	2,800	4,233	1,433
Rentals	4,000	4,000	7,263	3,263
Federal shared revenues	13,000	13,000	10,454	(2,546)
State shared revenues	61,000	61,000	65,218	4,218
Charges for services	9,582	9,582	4,650	(4,932)
Interest	5,900	5,900	2,182	(3,718)
Sale of assets			1,056	1,056
Other revenue	2,398	2,398	3,371	973
	<u>\$118,000</u>	<u>\$118,000</u>	<u>\$116,874</u>	<u>(\$1,126)</u>
EXPENDITURES				
Legislative	\$18,750	\$18,750	\$19,284	(\$534)
General government	43,650	43,650	47,515	(3,865)
Public safety	9,700	9,700	16,438	(6,738)
Public works	15,000	15,000	9,530	5,470
Recreation and culture	9,300	9,300	6,634	2,666
Other	42,000	42,000	5,622	36,378
	<u>\$138,400</u>	<u>\$138,400</u>	<u>\$105,023</u>	<u>\$33,377</u>
EXCESS OF REVENUES (EXPENDITURES)	(20,400)	(20,400)	11,851	32,251
OTHER FINANCING SOURCES (USES)				
Transfers to/from other funds			648	648
EXCESS OF REVENUES EXPENDITURES AND OTHER FINANCING USES	(\$20,400)	(\$20,400)	\$12,499	\$32,899
Fund Balance at 3/31/2004	141,989	141,989	141,989	
FUND BALANCE MARCH 31, 2005	<u>\$121,589</u>	<u>\$121,589</u>	<u>\$154,488</u>	<u>\$32,899</u>

The accompanying notes are an integral part of the financial statements.

STANNARD TOWNSHIP
STATEMENT OF NET ASSETS
PROPRIETARY FUND
March 31, 2005

		<u>Totals</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents		\$39,082
Accounts receivable-net		19,445
Accrued interest income		65
Deferred charges		123
	Total Current Assets	<u>\$58,715</u>
RESTRICTED ASSETS:		
Cash		20,000
	Total Restricted Assets	<u>20,000</u>
NONCURRENT ASSETS:		
Property, plant and equipment		442,846
Accumulated depreciation		(340,307)
	Total Non-Current Assets	<u>102,539</u>
	TOTAL ASSETS	<u>\$181,254</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable		\$238
Accrued wages/taxes		450
Accrued interest payable		300
Due to other funds		249
Current maturity on long-term debt		8,000
	Total Current Liabilities	<u>\$9,237</u>
LONG TERM LIABILITIES		
Revenue bonds payable		24,000
Less current maturity on long-term debt		(8,000)
	TOTAL LIABILITIES	<u>25,237</u>
NET ASSETS:		
Investment in capital assets, net of related debt		78,539
Unreserved		77,478
	TOTAL NET ASSETS	<u>\$156,017</u>
	TOTAL LIABILITIES AND NET ASSETS	<u>\$181,254</u>

The accompanying notes are an integral part of the financial statements.

STANNARD TOWNSHIP
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN
NET ASSETS - PROPRIETARY FUNDS TYPE
Year ended March 31, 2005

Business type Activities - Enterprise Fund

	<u>Total</u>
Operating revenues:	
Charges for services	\$36,579
Total Operating Revenues	<u>\$36,579</u>
Operating expenses:	
Wages and taxes	\$7,101
Purchase of services	7,296
Provision for depreciation	11,090
Operating supplies/maintenance	1,644
Utilities	2,066
Insurance	150
Transportation	721
Miscellaneous	115
Total Operating Expenses	<u>\$30,183</u>
Operating income (loss)	<u>\$6,396</u>
 Non-operating revenues (expenses)	
Interest income	1,269
Sewer assessment	3,718
Bond interest expense	(700)
Net Income (loss) before Transfers	<u>\$4,287</u>
 Change in Net Assets	<u>\$10,683</u>
Net Assets - March 31, 2004	<u>145,334</u>
 NET ASSETS - MARCH 31, 2005	<u>\$156,017</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS TYPES
 STANNARD TOWNSHIP
 Year ended March 31, 2005

Business type Activities - Enterprise Fund

	<u>Totals</u>
Cash flows from operating activities:	
Income from operations	\$6,396
Adjustments to reconcile income from operations to net cash Provided by operating activities:	
Depreciation	11,090
(Increase) decrease in:	
Accounts receivable	(859)
Due from other funds	3,705
Accrued interest income	9
Increase (decrease) in:	
Accounts payable	(8,176)
Accrued payroll/taxes	(726)
Due to other funds	(28,846)
Accrued interest payable	(100)
Total adjustments	(23,903)
Net Cash Provided by Operating Activities	(\$17,507)
Cash flows from capital and related Financing activities:	
Bond and debt retirement proceeds	3,718
Revenue bonds principal paid	(8,000)
Bond interest paid	(700)
Net cash provided (used) for capital and related financing activities	(\$4,982)
Cash flows from investment activities:	
Interest income	\$1,269
Net increase (decrease) in cash and cash equivalents	(\$21,220)
Cash and Cash Equivalents, March 31, 2004	80,302
Cash and Cash Equivalents, March 31, 2005	\$59,082

The accompanying notes are an integral part of the financial statements.

STANNARD TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
Year ended March 31, 2005

Agency Funds			
	<u>Tax Fund</u>	<u>Pension Fund</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$6	\$19,305	\$19,311
Due from other funds			
TOTAL ASSETS	<u>\$6</u>	<u>\$19,305</u>	<u>\$19,311</u>
LIABILITIES			
Due to other funds	\$6		\$6
TOTAL LIABILITIES	<u>\$6</u>		<u>\$6</u>
NET ASSETS			
Held in trust for pension benefits		\$19,305	\$19,305
NET ASSETS		<u>\$19,305</u>	<u>\$19,305</u>
TOTAL ASSETS AND NET ASSETS	<u>\$6</u>	<u>\$19,305</u>	<u>\$19,311</u>

The accompanying notes are an integral part of the financial statements

STANNARD TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION FUND
Year ended March 31, 2005

Agency Funds		
	ADDITIONS	
Contributions		\$2,520
Interest income		590
Total Additions		<u>\$3,110</u>
	DEDUCTIONS	
Benefits		
Changes in Net Assets		\$3,110
Net Assets at Beginning of Year		\$16,195
Net Assets at End of Year		<u>\$19,305</u>

The accompanying notes are an integral part of the financial statements

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The Stannard Township operates with an elected board of trustees, which includes a supervisor, clerk and treasurer. The Township provides to its residents, services in many areas including public safety, highways and streets, sanitation, culture and recreation, planning and zoning, and general administrative services.

The Township complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Township the option of electing to apply FASB pronouncements issued after November 30, 1989. The Township has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended March 31, 2005, the Township implemented the new financial reporting requirement of GASB Statement No. 34. As a result, an entirely new financial presentation format has been implemented.

Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Local Unit (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Township has no component units.

Basis of Presentation

The Statement of Net Assets and Statement of Activities display information about the reporting as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is place on major funds within the governmental and proprietary categories. A fund is considered major if its the primary operating fund of the Township or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds in that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

General Fund - is the primary operating fund of the Township and always classified as a major fund. . This fund is used to account for all financial resources except those legally or administratively required to be accounted for in another fund.

Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds report operations that provide services, which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. The funds are used to account for utility operations in a manner similar to private business enterprises. The intent of the Township is to recover operating expenses, including depreciation, through user charges.

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

FIDUCIARY FUND TYPE (Not included in government-wide statements)

Agency Funds - These funds are used to account for assets held by the Township in a trustee capacity or as an agent for other governments and/or other funds. They include the Tax Collection Fund and the Pension Fund. These funds are custodial in nature and do not involve measurement of results of operations. The Pension Fund is a trust fund used to account for the accumulation of resources to be used for the retirement benefit payments to retired board members.

MAJOR AND NONMAJOR FUNDS

The governmental and enterprise funds of the Township are further classified as major and nonmajor funds as follows:

<u>Fund</u>	<u>Brief Description</u>
<u>MAJOR FUNDS</u>	
1. General	See above for description.
2. Sewer	Account for revenues and expenses of providing Sewer services to the public.
<u>NONMAJOR FUNDS</u>	
3. Liquor Fund	Account for revenues and expenditures of liquor license enforcement activities.
4. Fire Fund	Account for special tax levies in support of fire fund purchases.
5. Building Inspection Fund	Account for building inspection fees charged and related costs incurred.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used.

ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the Township. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the government-wide financial statements. Exceptions to this general rule are charges between the government's sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. See Note E for details of interfund transactions, including receivables and payable at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, delinquent property and tax administrative fees. Business-type activities report utilities earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include service revenue accruals since they are usually both measurable and available. Interest and investment earnings are recorded when accrued. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. No allowances for uncollectible accounts receivable are recognized since any delinquencies can be placed upon the tax roll.

Fixed Assets

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial individual cost of \$1,500 and \$100 and an estimated life in excess of two years for governmental funds and proprietary funds, respectively. All fixed assets are valued at historical costs except for donated fixed assets which were recorded at their estimated fair value at the date of donation. The Township, in adopting GASB 34, elects to recognize capital assets acquisitions for government funds costing \$1,500 or more as of April 1, 2004. The Township otherwise has not maintained a listing of government fund assets.

Depreciation of exhaustible fixed assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the proprietary funds' statement of net assets. Depreciation has been provided over the useful lives using the straight-line method of depreciation.

Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Utility Plant	40 Years
Equipment	7-15 Years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash and investments that are legally restricted as to their use. The primary restricted assets are related to cash accounts established to be used for capital outlay purchases/projects and debt retirement.

Long-term Debt

All long-term debt to be repaid from business-type resources is reported as liabilities in the proprietary fund, statement of net assets. The long-term debt consists of revenue bonds.

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Scope of Reporting Entity

In accordance with the provisions of the Governmental Accounting Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and components units, with the exception of fire department fund raising activities, that are controlled by or dependent on the Township's executive or legislative branches.

Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on the ensuing December 1. The Township bills and collects its own property taxes and also collects current rolls for the County and School District. The Township records delinquent real property taxes as revenue upon levy; since the County will sell tax notes and remits monies to the various units of government shortly after year end.

Budgets

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the proposed budget for each budgetary fund is submitted to the Township Board for consideration. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is held at the annual Township Board meeting to obtain taxpayers comments.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted prior to the fiscal year by the majority vote of the Township Board.
5. The budgets are adopted on the accrual basis of accounting.
6. Any revisions to the budgeted amounts must be approved by a majority vote of the Township Board.
7. Budget appropriations lapse at the end of each fiscal year.

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

8. Budgeted amounts presented in the financial statements are as originally adopted and amended by the Township Board.

Formal budgets for one special revenue funds were not available whereas, budgets are not required for the operations of the Proprietary Fund types.

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Proprietary Fund Type consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Interest Expense

Interest on bonded indebtedness is recorded as expenditure as accrued.

Interest Receivables

Interest on investments is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

Due to and Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

NOTE B – CASH AND INVESTMENT INFORMATION

The carrying amount of deposits is presented on the balance sheet as "Cash and Cash Equivalents".

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Statutes authorize the Township to deposit cash in financial institutions covered by federal depository insurance and to invest in obligations of the United States Treasury, agencies and instrumentalities; commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services; United States government or agency obligation repurchase agreements; bankers' acceptances of United States banks; certain mutual funds and certain common stocks.

The carrying amount of the Township's deposits with financial institutions was \$251,609. The bank balance is categorized as follows:

Amount insured by the FDIC or collateralized with securities held by the Township in its name	\$184,135
Checks issued and outstanding	(13,366)
Uncollateralized and uninsured	80,840

Total bank balance	\$251,609

The Township's deposits are in accordance with statutory authority.

Pension Trust Fund investments of \$19,305 were invested in accordance with State of Michigan statutes. Market value at March 31, 2005, was equal to carrying value. The investments are not subject to categorization of credit risk.

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable and related allowances for uncollectible are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
General Fund	\$11,562	\$	\$11,562
Sewer Fund	\$19,445	\$	\$19,445
Fire Fund-SRF	\$1,429	\$	\$1,429

General Fund - generally consists of delinquent tax monies and administrative fees; and state shared revenues.

Proprietary Funds - customer unpaid balances. Trade accounts receivable were comprised of the following at March 31, 2005.

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Customer billing for the quarter ended March 2005	\$9,840
Delinquent billings and sewer assessments	<u>9,605</u>
Total	<u>\$19,445</u>

Proprietary Funds – customer unpaid balances. Delinquent account balances are placed on tax rolls and can be a lien against real property. Receivables are considered to be fully collectible and accordingly, there is no allowance for doubtful accounts.

NOTE D - SUMMARY OF 2004 TAX LEVY

Details of the Township's 2004 property tax levy are as follows:

	Tax <u>Levy</u>	Delinquent <u>Taxes</u>	Net <u>Collected</u>
County	\$204,292	\$35,374	\$168,918
School/SET	408,144	58,132	350,012
Township/ambulance	30,683	5,313	25,370
CFR	3,979	1,269	2,710
Delinquent utilities	3,801	3,155	646
Sewer Assessments	3,771	979	2,792
Totals	<u>\$654,670</u>	<u>\$104,222</u>	<u>\$550,448</u>

Taxable valuation - (excluding commercial forest
reserve lands):

Real property	\$13,609,565
Personal property	<u>1,847,600</u>
	<u>\$15,457,165</u>

Tax rate per \$1,000 valuation:

Township	\$ 1.9831
County	13.2036
Schools	<u>34.484</u>
	<u>\$ 49.6707</u>

NOTE E - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables at March 31, 2005, are as follows:

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

<u>Funds</u>	<u>Interfund Receivable</u>	<u>Funds</u>	<u>Interfund Payable</u>
General-		Tax Fund-	
Tax Fund	\$6	General Fund	\$6
SRF-Fire Fund-		Sewer Fund-	
Sewer Fund	249	Fire Fund	249
General Fund	709	General Fund-	
		Fire Fund	709
Totals	<u>\$964</u>	Totals	<u>\$964</u>

NOTE F - LIQUOR LICENSE REBATES

Liquor license monies totaling \$1,824 were received during the year and were used to defray liquor law enforcement costs with the unexpended balance of monies transferred to the General Fund.

NOTE G – PROPRIETARY FUND - UTILITY PLANT IN SERVICE

A summary of utility plant in service at March 31, 2005, follows:

	<u>3/31/2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>3/31/2005</u>	<u>Depreciable Life</u>
Utility Plant	\$2,000	\$	\$	\$2,000	
Equipment	429,791			429,791	40 Years
	11,055			11,055	7-15 Years
	<u>442,846</u>			<u>\$442,846</u>	
Accumulated Depreciation	<u>(329,217)</u>	<u>(11,090)</u>		<u>(340,307)</u>	
NET PLANT	<u>\$113,629</u>	<u>(\$11,090)</u>	<u>\$</u>	<u>\$102,539</u>	

Depreciation Expense 2004/2005 \$11,090

NOTE H - ACCOUNTS PAYABLE

The General Fund account payables were for normal expenditures, whereas, Proprietary Fund accounts payable were for normal operating and repairs and maintenance at year end.

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE I – REVENUE BONDS – PROPRIETARY FUND

The Township issued Revenue Bonds in 1972 in the amount of \$201,000 at an interest rate of 5%, payable semi-annually on July 1 and January 1. The bonds are payable solely from the revenues of the sewer system. As of March 31, 2005, the principal amount outstanding was \$24,000. The Township has made extra principal payments in prior years.

The Township principal debt retirement payable in future years are as follows:

\$8,000 January 1st of each of the years 2006 to 2007, inclusive:
\$8,000 January 1st for the year 2008

NOTE J - CHANGES IN REVENUE BONDS DEBT

	Balance 3/31/2004	Additions (Payments)	Balance 3/31/2005
Revenue Bonds	\$32,000	(\$8,000)	\$24,000

NOTE K - FUND BALANCE DESIGNATIONS

Reservations of fund balances represent amounts that are legally segregated for a specific purpose. Designations of fund balance represent monies restricted for future road repairs.

NOTE L - SEGMENT INFORMATION FOR ENTERPRISE FUND

The Township provides sewage services. Segment information as of March 31, 2005, follows:

Operating revenues	\$ 36,579
Depreciation expense	\$ 11,090
Operating income (loss)	\$ 6,396
Restrictive donations/grants	0
Operating transfers	0
Tax revenues	0
Increase (decrease) in	
Net Assets	\$10,683
Current capital contributions	\$ 0
Increase (decrease) in	
Fixed assets	\$ 0
Long-term debt payable	
From operating revenues	\$24,000
Net assets	
Unreserved (deficit)	\$77,478

STANNARD TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE M - DEFINED CONTRIBUTION PENSION

The Township established a money purchase pension plan effective July 1, 1991, recognized by the Internal Revenue Service, for elected officials. The plan is administered by Township Clerk and provides immediate coverage for individuals age 18 and above. The Township makes timely contributions equal to twelve percent of the officer's salaries, which allows for immediately vesting. Loans are not permitted to the participants. The Township Supervisor and Clerk are authorized Trustees of the plan. Total pension expense and administrative fees were \$2,880 for the fiscal year ending March 31, 2005, whereas, the \$19,305 represents fair market value at year end. Additional information was not available for disclosure as required by GASB Statement No. 25.

NOTE N - RISK MANAGEMENT

The Township is exposed to various risks of losses related to tort: theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies. The Township has comprehensive general liability coverage of \$1,000,000 per occurrence and a \$3,000,000 aggregate limit, with no deductible amount.

All risk management activities are accounted for in the General Fund of the Township. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the Township as of March 31, 2005, will not materially affect the financial condition of the Township. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE O - SUBSEQUENT EVENTS

The Township has been successful in pursuing Department of Agriculture, Rural Development Authority, funding towards the purchase of a fire truck at a estimated cost of \$190,000. The Township has been notified that a loan commitment of \$150,000 and grant proceeds have been appropriated by Rural Development Authority. A special millage rate has been requested and approved by Stannard Township and another Townships' voters in providing adequate monies for future debt retirement payments. The ultimate purchase is progressing forward.

REQUIRED SUPPLEMENTAL
FINANCIAL INFORMATION

STANNARD TOWNSHIP

GENERAL FUND
DETAIL OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL

Year ended March 31, 2005

REVENUES	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Current property taxes	\$15,000	\$18,180	\$3,180
Delinquent property taxes	4,000		(4,000)
Commercial forest reserve	300	247	(53)
Swamp taxes	20	20	
Tax administrative fees	2,800	4,233	1,433
Total taxes	\$22,120	\$22,680	\$560
State shared revenues	61,000	65,218	4,218
Federal shared revenues	13,000	10,454	(2,546)
Charges for services	9,582	4,650	(4,932)
Rents	4,000	7,263	3,263
Reimbursements	300	65	(235)
Sale of assets		1,056	1,056
Miscellaneous	2,098	3,306	1,208
Interest income	5,900	2,182	(3,718)
TOTAL REVENUES	\$118,000	\$116,874	(\$1,126)
Other financing sources-		648	648
Transfer from other funds			
TOTAL REVENUES AND OTHER FINANCING SOURCE	\$118,000	\$117,522	(\$478)

The accompanying notes are an integral part of the financial statements.

GENERAL FUND

DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET
STANNARD TOWNSHIP

Year ended March 31, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
LEGISLATIVE			
Township Board:			
Salaries		\$3,767	
Pension		2,880	
Office supplies		715	
Postage		137	
Transportation		226	
Printing and publications		573	
Insurance		9,506	
Miscellaneous		781	
Memberships		699	
TOTAL LEGISLATIVE	\$18,750	\$19,284	(\$534)
 Supervisor:			
Salary		\$4,200	
Miscellaneous		80	
TOTAL SUPERVISOR	\$4,200	\$4,280	(\$80)
 TOTAL ELECTION	\$1,400	\$1,435	(\$35)
 Clerk:			
Salary		\$6,600	
Supplies		410	
Professional fees		2,900	
TOTAL CLERK	\$10,200	\$9,910	\$290
 TOTAL BOARD OF REVIEW	\$250	\$915	(\$665)

The accompanying notes are an integral part of the financial statements.

GENERAL FUND

DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET STANNARD TOWNSHIP

Year ended March 31, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Treasurer:			
Salary		\$7,029	
Summer tax collection		629	
Office supplies		445	
Postage		889	
Transportation		21	
Miscellaneous		552	
TOTAL TREASURER	\$9,050	\$9,565	(\$515)
Assessor:			
Office supplies		\$625	
Printing and publishing		2,762	
Contract costs		6,114	
TOTAL ASSESSOR	\$10,400	\$9,501	\$899
Township Property			
Wages		\$468	
Supplies		423	
Communications		1,022	
Utilities		1,656	
Repairs and maintenance		2,754	
TOTAL TOWN HALL	\$5,500	\$6,323	(\$823)
Cemetery:			
Contract costs		\$4,808	
Repairs		778	
TOTAL CEMETERY	\$2,650	\$5,586	(\$2,936)
TOTAL GENERAL GOVERNMENT	\$43,650	\$47,515	(\$3,865)

The accompanying notes are an integral part of the financial statements.

GENERAL FUND

DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET
STANNARD TOWNSHIP

Year ended March 31, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Public Safety:			
INSPECTION COSTS		\$470	(\$470)
Fire:			
Contract costs		\$1,675	
Supplies		828	
Communications		99	
Training		6,199	
Insurance		780	
Utilities		2,872	
Repairs and maintenance		2,698	
Miscellaneous		817	
TOTAL FIRE PROTECTION	\$9,450	\$15,968	(\$6,518)
ZONING BOARD	\$250	\$	\$250
TOTAL PUBLIC SAFETY	\$9,700	\$16,438	(\$6,738)
PUBLIC WORKS			
Streets and roads		\$4,052	
Street lights		5,478	
TOTAL PUBLIC WORKS	\$15,000	\$9,530	\$5,470

The accompanying notes are an integral part of the financial statements.

GENERAL FUND

DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET
STANNARD TOWNSHIP

Year ended March 31, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
RECREATION AND CULTURE			
Parks:			
Wages		\$2,266	
Supplies			
Utilities		1,187	
Repairs and maintenance		2,879	
Miscellaneous		302	
Equipment			
TOTAL RECREATION AND CULTURE	\$9,300	\$6,634	\$2,666
 OTHER	 \$42,000	 \$5,622	 \$36,378

The accompanying notes are an integral part of the financial statements.

COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
NONMAJOR FUNDS
STANNARD TOWNSHIP

Year ended March 31, 2005

	<u>Liquor Law Enforcement</u>	<u>Fire Fund</u>	<u>Building Inspections</u>	<u>Totals</u>
Assets:				
Cash in bank	\$	\$34,135	\$	\$34,135
Due from other funds		958		958
Delinquent tax receivable		1,429		1,429
Total Assets	\$	\$36,522	\$	\$36,522
Liabilities & Equity:				
Accounts payable	\$	\$	\$	\$
Due to other funds				
Fund balance-unreserved		36,522		36,522
Total Equity & Liabilities	\$	\$36,522	\$	\$36,522

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - SPECIAL REVENUE FUNDS
NONMAJOR FUNDS
STANNARD TOWNSHIP

Year ended March 31, 2005

	<u>Liquor Law Enforcement</u>	<u>Fire Fund</u>	<u>Building Inspections</u>	<u>Total</u>
Revenues:				
State shared revenues	\$1,863			\$1,863
Property taxes		\$12,732		12,732
Interest income		295		295
Charges for services			\$4,542	4,542
Total revenues	<u>\$1,863</u>	<u>\$13,027</u>	<u>\$4,542</u>	<u>\$19,432</u>
Expenditures:				
Inspection costs			\$4,542	\$4,542
Liquor investigations	\$1,215			1,215
Total expenditures	<u>\$1,215</u>		<u>\$4,542</u>	<u>\$5,757</u>
Excess of revenue(loss) over expense	\$648	\$13,027	\$	\$13,675
Transfer from (to) other funds	(648)			(648)
Fund Balance 3/31/2004	<u>\$</u>	<u>\$23,495</u>	<u>\$</u>	<u>\$23,495</u>
Fund Balance 3/31/2005	<u>\$</u>	<u>\$36,522</u>	<u>\$</u>	<u>\$36,522</u>

The accompanying notes are an integral part of the financial statements.

Roger J. Kolehmainen PC CPA
1445 East Cloverland Drive
Ironwood, MI 49938
(906) 906-3600

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Supervisor and Members of the Board
Stannard Township
Bruce Crossing, MI

We audited the financial statements of Stannard Township as of and for the year ended March 31, 2005, and have issued our report thereon dated August 24, 2005. We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Stannard Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing the audit of the financial statements of Stannard Township for the year ended March 31, 2005, we considered the internal control structure in order to determine auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

The management of Stannard Township is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and

judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the structure to future periods are subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements. Reportable conditions noted in our review are as follows:

1. The Township did not compile a complete listing of government capital assets to assure existence, condition and valuation for reporting and insurance coverage. The Township lacks knowledge as to all of its actual holdings.

Township needs to establish an accurate capital fixed assets ledger in assuring proper valuation is assigned and are adequately insured against various types of losses.

2. The Township's Clerk needs to reconcile the various cash accounts in posting the general ledgers accounts of the General and Sewer Funds. Numerous differences were noted which required corrections

The Clerk and Treasurer will need to coordinate the sharing of bank statements and cash receipts in reconciling their cash balances. Any discrepancies noted should be resolved in a timely manner. Furthermore, the Sewer Fund should utilize a separate checking account.

3. Our audit effort identified payroll reports being prepared in error or not being prepared timely, filed and appropriate taxes paid as due. Apparently, no payroll training has been provided to the new Township Clerk since taking office.

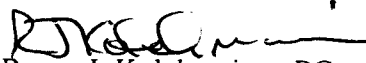
The Township may want to secure adequate training for the Clerk in allowing for correct reports to be submitted and to make amendments to prior reports issued.

4. The Township's Fire Department fund raising activities pursued in the Township's name and other bank accounts will need to be included in the Township's annual audit unless a separate legal entity has been utilized and recognized as being eligible to receive such monies.

A material weakness is a reportable condition in which the design or operation of one of more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We consider item 1 to be a material weakness.

This report is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Members of the Board, is a matter of public record.

August 24, 2005


Roger J. Kolehmainen PC
Certified Public Accountant